

Coal Bed Methane in China Opportunities and Challenges

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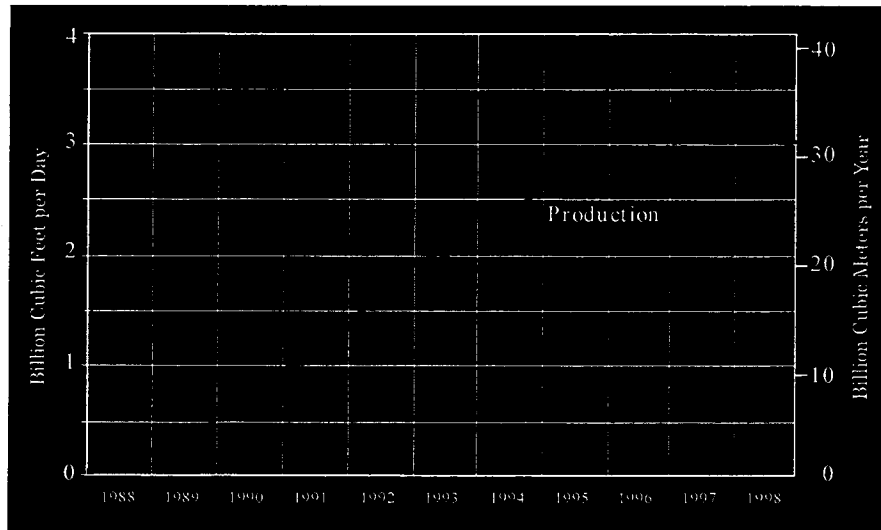
Houston, Texas

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Basis for CBM Opportunities

- ☐ Economic Growth
- ☐ Emerging Market Demand
- ☐ Natural Resource Potential
- ☐ Contractual Framework
- ☐ Government Support
- ☐ Investor Interest

U.S. CBM Production



Benefits of a Successful CBM Industry

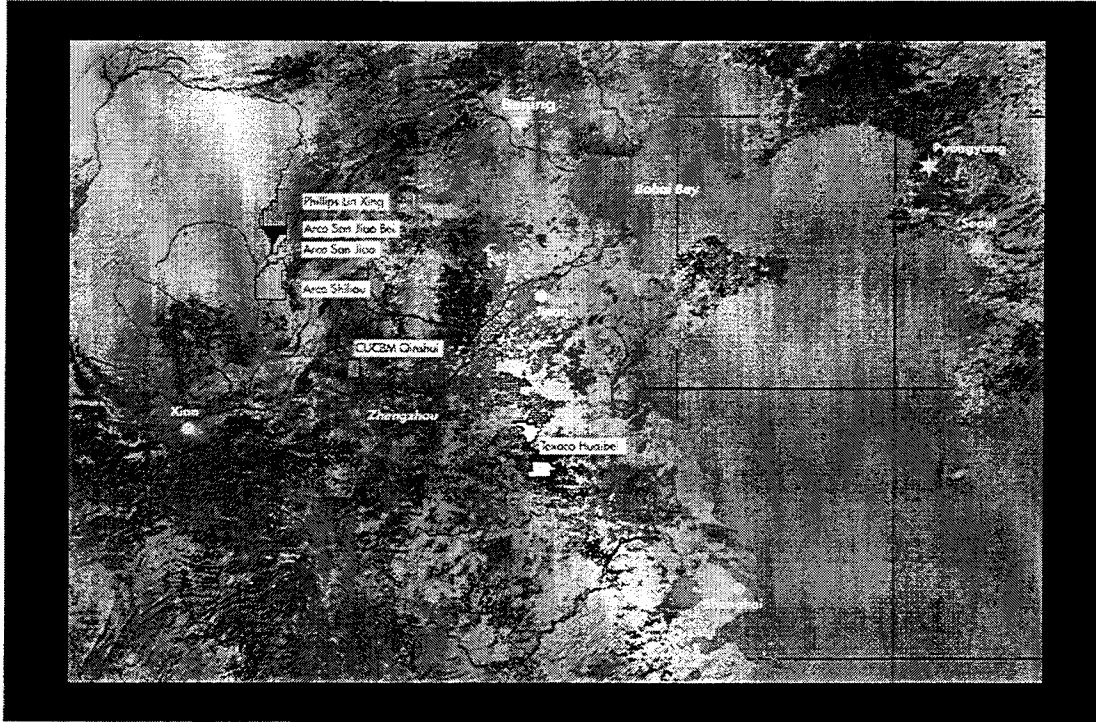
- ❑ A new strategic and indigenous clean energy resource
- ❑ Improved air quality by displacing coal burning
- ❑ Pipelines and distribution systems to bring gas to power plants, industrial users and residential consumers.
- ❑ Job development along the CBM business value chain

Challenges to a Building a Successful CBM Industry

- ☐ Geologic conditions capable of producing economic rates
- ☐ Access to existing geologic data and information
- ☐ Cost effective services
- ☐ Capital for development
- ☐ Incentives to get it going early
- ☐ Infrastructure and market development

CBM Project Status Update

- ☐ Several contracts commenced in 1998 between China United Coalbed Methane Co (CUCBM) and foreign operators
- ☐ Contracts provide for a phased approach with back-away options
- ☐ Phase 1: Core wells
- ☐ Phase 2: Pilot Project(s)
- ☐ Phase 3+: Development in phases



Summary

- ❑ CBM offers many Opportunities and Benefits
- ❑ Numerous Challenges Ahead to Build a Successful CBM Industry
- ❑ Continued Mutual Cooperation Needed to Bring CBM from a Plan to Reality